

ROYALTON TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ROYALTON TOWNSHIP	County BERRIEN
Fiscal Year End 3/31/2006	Opinion Date 5/1/2006	Date Audit Report Submitted to State 6/13/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

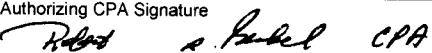
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C.		Telephone Number 269-983-0534	
Street Address 830 PLEASANT STREET, PO BOX 44		City ST. JOSEPH	State MI
Authorizing CPA Signature  CPA		Printed Name ROBERT L. GERBEL	Zip 49085
		License Number 3953	

ROYALTON TOWNSHIP

FINANCIAL REPORT

March 31, 2006

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ROYALTON TOWNSHIP

**980 Miners Road
St. Joseph, Michigan 49085
(269) 429-2501 * Fax (269) 429-8373
email address: royaltontwp@sbcglobal.net**

Steve Tilly, Supervisor
Rocky Genovese, Clerk
Michael Klug, Treasurer
Robert Basselman, Trustee
William Foust, Trustee

Management Discussion and Analysis

As management of the Royalton Township, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of Royalton Township for the fiscal year ended March 31, 2006. We encourage readers to consider the overview presented here in conjunction with the additional information that our auditors have provided within this report.

Financial Highlights

- The assets of Royalton Township exceeded its liabilities at the close of the most recent fiscal year by \$13,101,567. Of this amount, \$7,874,313 may be used to meet the ongoing obligations to our citizens and creditors.
- The Township's total net assets increased by \$1,125,262.
- At the close of the current fiscal year, Royalton Township's Governmental Funds reported combined ending fund balances of \$2,049,079, an increase of \$213,483 in comparison with the prior year. Approximately \$2,047,011 of this total is available for spending at the government's discretion.
- At the end of the current fiscal year, the general fund unreserved fund balance was \$1,134,618 or 236 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Royalton Township's basic financial statements. Royalton Township's basic financial statements include the following three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to the basic financial statements themselves, this report also contains other supplementary information.

1. Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide the reader with a broad overview of Royalton Township's finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of Royalton Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Royalton Township is improving or deteriorating.
- The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as unused vacation leave.

Both of these Government-Wide Financial Statements distinguish Township functions, which are principally supported by taxes and intergovernmental revenues from those functions that are intended to recover all or a significant portion of their costs through user fees and charges for services. The governmental activities of Royalton Township include general government, public safety, highways and streets, sanitation, health and welfare, recreation and culture, community and economic development and debt service. The business-type activities of Royalton Township include water and sewer operations.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Royalton Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Royalton Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, the reader may better understand the long-term impact of the Township's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

Royalton Township maintains three individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the general fund, the public welfare fund and the inspection fund.

Royalton Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and major special revenue funds to demonstrate compliance with this budget.

Proprietary Funds

Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. Royalton Township uses an enterprise fund to account for its water and sewer operations.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support Royalton Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Royalton Township, assets exceeded liabilities by \$13,101,567 at the close of the 2005-2006 fiscal year.

Royalton Township uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Royalton Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Royalton Township
Net Assets**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Current and other assets	\$ 2,049,079	\$ 6,655,378	\$ 8,704,457	\$ 7,845,069
Capital assets	<u>1,103,388</u>	<u>9,004,372</u>	<u>10,107,760</u>	<u>10,096,685</u>
Total Assets	<u>\$ 3,152,467</u>	<u>\$ 15,659,750</u>	<u>\$ 18,812,217</u>	<u>\$ 17,941,754</u>
Long-term liabilities	\$ -	\$ 5,565,000	\$ 5,565,000	\$ 5,771,103
Other liabilities	<u>1,167</u>	<u>144,483</u>	<u>145,650</u>	<u>194,346</u>
Total Liabilities	<u>\$ 1,167</u>	<u>\$ 5,709,483</u>	<u>\$ 5,710,650</u>	<u>\$ 5,965,449</u>
Invested in capital assets, net of related debt	\$ 1,103,388	\$ 3,464,372	\$ 4,567,760	\$ 4,325,572
Restricted	901	658,593	659,494	444,896
Unrestricted	<u>2,047,011</u>	<u>5,827,302</u>	<u>7,874,313</u>	<u>7,205,837</u>
Total Net Assets	<u>\$ 3,151,300</u>	<u>\$ 9,950,267</u>	<u>\$ 13,101,567</u>	<u>\$ 11,976,305</u>

A portion of Royalton Township's net assets (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7,874,313) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Royalton Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Royalton Township
Changes in Net Assets**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Revenues				
Program Revenues				
Charges for services	\$ 436,106	\$ 824,552	\$ 1,260,658	\$ 1,151,757
Grants and contributions	266,084	646,400	912,484	360,815
General Revenues				
Property taxes	325,753	-	325,753	300,675
Interest earned	32,806	275,766	308,572	259,948
Insurance reimbursements	2,593	-	2,593	25,151
Total Revenues	<u>\$ 1,063,342</u>	<u>\$ 1,746,718</u>	<u>\$ 2,810,060</u>	<u>\$ 2,098,346</u>
Expenses				
Legislative	\$ 6,610	\$ -	\$ 6,610	\$ 6,051
General government	420,086	-	420,086	365,367
Public safety	352,129	-	352,129	316,213
Public works	39,811	-	39,811	29,080
Recreation and cultural	48,711	-	48,711	43,379
Interest on long-term debt	352	-	352	2,459
Public Utility Fund	-	817,099	817,099	574,105
Total Expenses	<u>\$ 867,699</u>	<u>\$ 817,099</u>	<u>\$ 1,684,798</u>	<u>\$ 1,336,654</u>
Change in Net Assets	\$ 195,643	\$ 929,619	\$ 1,125,262	\$ 761,692
Net Assets Beginning of the Year	<u>2,955,657</u>	<u>9,020,648</u>	<u>11,976,305</u>	<u>11,214,613</u>
Net Assets End of the Year	<u>\$ 3,151,300</u>	<u>\$ 9,950,267</u>	<u>\$ 13,101,567</u>	<u>\$ 11,976,305</u>

Governmental Activities

Governmental Activities increased Royalton Township's net assets by \$195,643, accounting for 17% of the total growth in the net assets of Royalton Township. Grants and contributions were \$266,084 or 25% of the total governmental revenues. Charges for services were \$436,106 or 41% of the total governmental revenues. The remaining 34% is composed of property taxes, interest income and insurance reimbursements. Public safety expenditures totaled \$352,129 or 41% of the governmental expenses. General government and recreation and cultural expenditures totaled 54% of the governmental expenses.

Business-Type Activities

Business-type Activities increased Royalton Township's net assets by \$929,619, accounting for 83% of the total growth in the net assets. Charges for services were \$824,552 or 47% of the total business-type revenues. Grants and contributions were \$646,400 or 37% of the total business-type revenues. The remaining 16% is interest income.

Financial Analysis of Royalton Township's Funds

As noted earlier, Royalton Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Royalton Township's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Royalton Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year Royalton Township's Governmental Funds reported combined ending fund balances of \$2,047,912, an increase of \$213,483 in comparison with the prior year. Approximately 99% of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for future cemetery care.

The General Fund is the chief operating fund of Royalton Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,134,618. The general fund balance of Royalton Township has increased by \$59,645 from the previous year.

Proprietary Funds

Royalton Township's proprietary fund provides the same type of information found in the Government-Wide Financial Statements, but in more detail.

Unrestricted net assets of the Public Utility Fund at the end of the year amounted to \$5,827,302. Water activity increased net assets by \$788,497; sewer activity increased net assets by \$141,122.

Capital Asset and Debt Administration

Royalton Township's investment in capital assets for its governmental and business-type activities as of March 31, 2006 amounts to \$10,107,760 (net of depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and utility systems.

Major capital asset events during the current fiscal year included the following:

- Construction continued on water and sewer projects.
- Completion of water project servicing areas adjacent to portions of Miners, Bacon School and Marquette Woods Roads.

Long-Term Debt

At the end of the current fiscal year, Royalton Township had total debt outstanding of \$5,565,000.

State statutes limit the amount of general obligation bond debt governmental entities may issue to 10% of its total state equalized valuation and the amount of general obligation installment note debt to 1.25% of its total state equalized valuation. The current debt limitation for Royalton

Township is \$22,156,209 for bond debt and \$2,769,526 for note debt, which is significantly in excess of Royalton Township's outstanding general obligation debt.

Next Year's Budget

Royalton Township anticipates expenditures over revenues in the general fund will result in a \$73,658 decrease in fund balance.

Requests for Information

This financial report is designed to provide a general overview of Royalton Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Royalton Township, 980 Miners Road, St. Joseph, Michigan 49085.

**ROYALTON TOWNSHIP
TOWNSHIP BOARD
March 31, 2006**

Steve Tilly	Supervisor
Rocco Genovese	Clerk
Michael Klug	Treasurer
William Foust	Trustee
Robert Basselman	Trustee

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

May 1, 2006

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Royalton Township
St. Joseph, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Royalton Township, as of and for the year ended March 31, 2006, which collectively comprise the Township's, basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures on the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information on pages I through VII, is not required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions in the financial statements that collectively comprise Royalton Township's basic financial statements. The supplementary information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gerbel & Company, P.C.

Right. On time.

ROYALTON TOWNSHIP
Statement of Net Assets
March 31, 2006

	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets			
Cash and cash equivalents	\$ 1,837,188	\$ 1,985,024	\$ 3,822,212
Certificates of deposit	164,163	194,572	358,735
Receivables	17,209	37,106	54,315
Due from other funds	3,965	-	3,965
Prepaid expenses	26,554	-	26,554
Bond cost (net of accumulated amortization)	-	176,967	176,967
Bond discount (net of accumulated amortization)	-	69,909	69,909
Special assessment receivable	-	4,191,800	4,191,800
Capital assets (net of related depreciation):			
Land	213,253	-	213,253
Construction in process	-	26,500	26,500
Buildings	555,085	-	555,085
Vehicles	211,570	5,192	216,762
Equipment	123,480	-	123,480
Utility systems	-	8,972,680	8,972,680
Total Assets	\$ 3,152,467	\$ 15,659,750	\$ 18,812,217
Liabilities			
Payroll liabilities	\$ 1,167	\$ -	\$ 1,167
Due to other governments	-	40,828	40,828
Accrued interest	-	103,655	103,655
Noncurrent liabilities:			
Due within one year	-	645,000	645,000
Due in more than one year	-	4,920,000	4,920,000
Total Liabilities	\$ 1,167	\$ 5,709,483	\$ 5,710,650
Net Assets			
Invested in capital assets, net of related debt	\$ 1,103,388	\$ 3,464,372	\$ 4,567,760
Restricted for cemetery	901	-	901
Restricted for construction	-	658,593	658,593
Unrestricted	2,047,011	5,827,302	7,874,313
TOTAL NET ASSETS	\$ 3,151,300	\$ 9,950,267	\$ 13,101,567

ROYALTON TOWNSHIP
Statement of Activities
For the Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Legislative	\$ 6,610	\$ -	\$ -	\$ -
General government	420,086	108,035	266,084	-
Public safety	352,129	328,071	-	-
Public works	39,811	-	-	-
Recreation and cultural	48,711	-	-	-
Interest on long-term debt	352	-	-	-
Total Governmental Activities	\$ 867,699	\$ 436,106	\$ 266,084	\$ -
Business-type Activities:				
Public Utility Fund	\$ 817,099	\$ 824,552	\$ -	\$ 646,400
Total Business-type Activities	\$ 817,099	\$ 824,552	\$ -	\$ 646,400
Total Primary Government	\$ 1,684,798	\$ 1,260,658	\$ 266,084	\$ 646,400

General revenues:
Property taxes
Interest
Insurance Reimbursements

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

**Net (Expense) Revenue and
Changes in Net Assets
Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (6,610)	\$ -	\$ (6,610)
(45,967)	-	(45,967)
(24,058)	-	(24,058)
(39,811)	-	(39,811)
(48,711)	-	(48,711)
<u>(352)</u>	<u>-</u>	<u>(352)</u>
<u>\$ (165,509)</u>	<u>\$ -</u>	<u>\$ (165,509)</u>
<u>\$ -</u>	<u>\$ 653,853</u>	<u>\$ 653,853</u>
<u>\$ -</u>	<u>\$ 653,853</u>	<u>\$ 653,853</u>
<u>\$ (165,509)</u>	<u>\$ 653,853</u>	<u>\$ 488,344</u>
\$ 325,753	\$ -	\$ 325,753
32,806	275,766	308,572
<u>2,593</u>	<u>-</u>	<u>2,593</u>
<u>\$ 361,152</u>	<u>\$ 275,766</u>	<u>\$ 636,918</u>
\$ 195,643	\$ 929,619	\$ 1,125,262
<u>2,955,657</u>	<u>9,020,648</u>	<u>11,976,305</u>
<u>\$ 3,151,300</u>	<u>\$ 9,950,267</u>	<u>\$ 13,101,567</u>

**ROYALTON TOWNSHIP
GOVERNMENTAL FUNDS
Balance Sheet
March 31, 2006**

	<u>General Fund</u>	<u>Public Welfare Millage Fund</u>	<u>Inspection Fund</u>	<u>Total Governmental Funds</u>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 948,590	\$ 398,410	\$ 489,287	\$ 1,836,287
Certificates of deposit	164,163	-	-	164,163
Restricted cash for cemetery	901	-	-	901
Taxes receivable	8,817	8,392	-	17,209
Due from other funds	3,965	-	-	3,965
Prepaid expense	10,250	16,304	-	26,554
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Current Assets	\$ 1,136,686	\$ 423,106	\$ 489,287	\$ 2,049,079
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 1,136,686	\$ 423,106	\$ 489,287	\$ 2,049,079
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities and Fund Balances				
Current Liabilities:				
Accrued liabilities	\$ 1,167	\$ -	\$ -	\$ 1,167
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Current Liabilities	\$ 1,167	\$ -	\$ -	\$ 1,167
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ 1,167	\$ -	\$ -	\$ 1,167
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances:				
Reserved for cemetery	\$ 901	\$ -	\$ -	\$ 901
Unreserved	1,134,618	423,106	489,287	2,047,011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	\$ 1,135,519	\$ 423,106	\$ 489,287	\$ 2,047,912
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,136,686	\$ 423,106	\$ 489,287	\$ 2,049,079
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

ROYALTON TOWNSHIP
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
For the Year Ended March 31, 2006

Fund balances of governmental funds.	\$ 2,047,912
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements.	1,626,967
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Capital assets are not depreciated in the governmental funds statements; however, they are depreciated over their useful lives in the government-wide statements. Accumulated depreciation at March 31, 2006 is reported in the government-wide statements.	<u>(523,579)</u>
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Net assets of governmental activities	<u>\$ 3,151,300</u>
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**ROYALTON TOWNSHIP
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended March 31, 2006**

	<u>General Fund</u>	<u>Public Welfare Millage Fund</u>	<u>Inspection Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 143,062	\$ 182,691	\$ -	\$ 325,753
State revenues	266,084	-	-	266,084
Collection fees	47,014	-	-	47,014
Permits	-	-	328,071	328,071
Rents	10,800	-	-	10,800
Cemetery revenue	6,220	-	-	6,220
Interest	21,002	5,075	6,729	32,806
Other	46,594	-	-	46,594
Total Revenues	<u>\$ 540,776</u>	<u>\$ 187,766</u>	<u>\$ 334,800</u>	<u>\$ 1,063,342</u>
Expenditures:				
Legislative	\$ 6,610	\$ -	\$ -	\$ 6,610
General government	399,313	-	-	399,313
Public safety	2,971	112,581	203,307	318,859
Public works	39,811	-	-	39,811
Recreation and cultural	9,831	38,880	-	48,711
Capital outlay	-	7,865	6,095	13,960
Debt service:				
Principal retirement	22,243	-	-	22,243
Interest	352	-	-	352
Total Expenditures	<u>\$ 481,131</u>	<u>\$ 159,326</u>	<u>\$ 209,402</u>	<u>\$ 849,859</u>
Revenues Over Expenditures	<u>\$ 59,645</u>	<u>\$ 28,440</u>	<u>\$ 125,398</u>	<u>\$ 213,483</u>
Net Change in Fund Balances	<u>\$ 59,645</u>	<u>\$ 28,440</u>	<u>\$ 125,398</u>	<u>\$ 213,483</u>
Fund Balances - Beginning of Year	<u>1,075,874</u>	<u>394,666</u>	<u>363,889</u>	<u>1,834,429</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,135,519</u>	<u>\$ 423,106</u>	<u>\$ 489,287</u>	<u>\$ 2,047,912</u>

ROYALTON TOWNSHIP
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006

Net change in fund balances - total governmental funds \$ 213,483

Amounts reported for *governmental activities* in the statement of activities are different because:

Government funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements. 13,960

Capital assets are not depreciated in the governmental funds statements; however, they are depreciated over their useful lives in the government-wide statements. Depreciation expense for the year ended March 31, 2006, is reported in the government-wide statements. (72,903)

Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds. 41,103

Changes in net assets of governmental activities \$ 195,643

**ROYALTON TOWNSHIP
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes	\$ 125,000	\$ 125,000	\$ 143,062	\$ 18,062
State revenues	263,880	263,880	266,084	2,204
Collection fees	45,500	45,500	47,014	1,514
Rents	7,500	7,500	10,800	3,300
Cemetery revenue	9,000	9,000	6,220	(2,780)
Interest	13,200	13,200	21,002	7,802
Other	56,000	56,000	46,594	(9,406)
Total Revenues	<u>\$ 520,080</u>	<u>\$ 520,080</u>	<u>\$ 540,776</u>	<u>\$ 20,696</u>
Expenditures:				
Legislative	\$ 5,800	\$ 5,800	\$ 6,610	\$ (810)
General government	417,100	417,100	399,313	17,787
Public safety	3,300	3,300	2,971	329
Public works	151,200	151,200	39,811	111,389
Recreation and cultural	16,500	16,500	9,831	6,669
Capital outlay	12,500	12,500	-	12,500
Debt service:				
Principal retirement	22,481	22,481	22,243	238
Interest	352	352	352	-
Total Expenditures	<u>\$ 629,233</u>	<u>\$ 629,233</u>	<u>\$ 481,131</u>	<u>\$ 148,102</u>
Net Change in Fund Balances	\$ (109,153)	\$ (109,153)	\$ 59,645	\$ 168,798
Fund Balances - Beginning of Year	<u>1,075,874</u>	<u>1,075,874</u>	<u>1,075,874</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 966,721</u>	<u>\$ 966,721</u>	<u>\$ 1,135,519</u>	<u>\$ 168,798</u>

**ROYALTON TOWNSHIP
PUBLIC WELFARE MILLAGE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes			\$ 182,691	
Interest			<u>5,075</u>	
Total Revenues	<u>\$ 157,175</u>	<u>\$ 157,175</u>	<u>\$ 187,766</u>	<u>\$ 30,591</u>
Expenditures:				
Public safety			\$ 112,581	
Recreation and cultural			38,880	
Capital outlay			<u>7,865</u>	
Total Expenditures	<u>\$ 159,186</u>	<u>\$ 159,186</u>	<u>\$ 159,326</u>	<u>\$ (140)</u>
Revenues Over (Under) Expenditures	<u>\$ (2,011)</u>	<u>\$ (2,011)</u>	<u>\$ 28,440</u>	<u>\$ 30,451</u>
Net Change in Fund Balances	<u>\$ (2,011)</u>	<u>\$ (2,011)</u>	<u>\$ 28,440</u>	<u>\$ 30,451</u>
Fund Balances - Beginning of Year	<u>394,666</u>	<u>394,666</u>	<u>394,666</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 392,655</u>	<u>\$ 392,655</u>	<u>\$ 423,106</u>	<u>\$ 30,451</u>

**ROYALTON TOWNSHIP
INSPECTION FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Permits			\$ 328,071	
Interest			<u>6,729</u>	
Total Revenues	<u>\$ 177,500</u>	<u>\$ 177,500</u>	<u>\$ 334,800</u>	<u>\$ 157,300</u>
Expenditures:				
Public safety			\$ 203,307	
Capital outlay			<u>6,095</u>	
Total Expenditures	<u>\$ 139,975</u>	<u>\$ 139,975</u>	<u>\$ 209,402</u>	<u>\$ (69,427)</u>
Net Change in Fund Balances	<u>\$ 37,525</u>	<u>\$ 37,525</u>	<u>\$ 125,398</u>	<u>\$ 87,873</u>
Fund Balances - Beginning of Year	<u>363,899</u>	<u>363,899</u>	<u>363,899</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 401,424</u>	<u>\$ 401,424</u>	<u>\$ 489,297</u>	<u>\$ 87,873</u>

**ROYALTON TOWNSHIP
PROPRIETARY FUND
PUBLIC UTILITY FUND
Statement of Net Assets
For the Year Ended March 31, 2006**

Assets

Current Assets:

Cash and cash equivalents	\$ 1,326,431
Certificates of deposit	194,572
Delinquent special assessment receivable	<u>37,106</u>

Total Current Assets \$ 1,558,109

Restricted Assets:

Cash and cash equivalents	<u>\$ 658,593</u>
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Noncurrent Assets:

Plant, property, and equipment	\$ 11,464,766
Construction in process	26,500
Special assessment receivable	4,191,800
Sewer bond cost, net of \$61,044 accumulated amortization	394
Water bond cost, net of \$68,033 accumulated amortization	176,573
Sewer bond discount, net of \$45,258 accumulated amortization	306
Water bond discount, net of \$32,480 accumulated amortization	69,603
Accumulated depreciation	<u>(2,486,894)</u>

Total Noncurrent Assets \$ 13,443,048

TOTAL ASSETS \$ 15,659,750

Liabilities and Net Assets

Current Liabilities:

Current portion of bonds payable	\$ 620,000
Current portion of note payable	25,000
Accrued interest	103,655
Due to other governments	<u>40,828</u>

Total Current Liabilities \$ 789,483

Long-Term Liabilities:

Bonds payable, net of current portion	\$ 4,870,000
Note payable, net of current portion	<u>50,000</u>

Total Long-Term Liabilities \$ 4,920,000

Total Liabilities \$ 5,709,483

Net Assets:

Invested in capital assets, net of related debt	\$ 3,464,372
Restricted for construction	658,593
Unrestricted	<u>5,827,302</u>

TOTAL NET ASSETS \$ 9,950,267

**ROYALTON TOWNSHIP
PROPRIETARY FUND
PUBLIC UTILITY FUND
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended March 31, 2006**

Operating Revenues:	
Changes for services	\$ 820,834
Other	<u>3,718</u>
Total Operating Revenues	\$ 824,552
Operating Expenses:	
Sewer treatment charges	\$ 133,963
Professional services	29,877
Salary and wages	20,929
Payroll taxes	1,601
Depreciation and amortization	261,041
Utilities	18,243
Supplies	11,575
Repair and maintenance	48,280
Contribution to LMSWSTA	54,454
Miscellaneous	<u>3,857</u>
Total Operating Expenses	\$ 583,820
Operating Income	\$ 240,732
Nonoperating Revenues (Expenses):	
Interest income	\$ 275,766
Interest expense	<u>(233,279)</u>
Total Nonoperating Revenues (Expenses)	\$ 42,487
Net Income	\$ 283,219
New special assessment district financed by contributed capital	<u>646,400</u>
Change in Net Assets	\$ 929,619
Total Net Assets - Beginning of Year	<u>9,020,648</u>
TOTAL NET ASSETS - END OF YEAR	\$ 9,950,267

**ROYALTON TOWNSHIP
PROPRIETARY FUND
Statement of Cash Flows
For the Year Ended March 31, 2006**

Cash Flows From Operating Activities:

Cash receipts from customers	\$ 615,068
Other payments	(39,679)
Payments to employees	(22,530)
Payments to suppliers	<u>(270,372)</u>

Net cash provided by operating activities \$ 282,487

Cash Flows From Capital and Related Financing Activities:

Interest paid on capital debt	\$ (231,649)
Proceeds from bonds	535,000
Bond issuance costs	(39,640)
Capital contributions	646,400
Principal paid on capital debt	(700,000)
Purchases of capital assets	<u>(305,853)</u>

Net cash used by capital and related financing activities \$ (95,742)

Cash Flows From Investing Activities:

Special assessment interest received	\$ 227,908
Interest and dividends received	<u>47,858</u>

Net cash provided by investing activities \$ 275,766

Net decrease in cash and cash equivalents \$ 462,511

Balances - Beginning of Year 1,717,085

BALANCES - END OF YEAR \$ 2,179,596

Reconciliation of operating income to net cash provided by operating activities:

Operating income \$ 240,732

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation and amortization expense	\$ 261,041
(Increase) decrease in:	
Accounts receivable	(209,484)
Increase (decrease) in:	
Accounts payable	(1,393)
Due to other funds	<u>(8,409)</u>

Total Adjustments \$ 41,755

Net cash provided by operating activities \$ 282,487

**ROYALTON TOWNSHIP
FIDUCIARY FUND
CURRENT TAX FUND
Statement of Fiduciary Net Assets
For the Year Ended March 31, 2006**

Assets

Cash and cash equivalents	\$ <u>3,965</u>
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TOTAL ASSETS	\$ <u>3,965</u>
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Liabilities

Due to other funds	\$ <u>3,965</u>
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TOTAL LIABILITIES	\$ <u>3,965</u>
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ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by Royalton Township, Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

A. Reporting Entity

In evaluating how to define the Township's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, the Township does not have any component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Royalton Township reports the following major governmental funds:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Public Welfare Millage Fund** is used to account for the Township's fire department as well as payments for library and ambulance service.

The **Inspection Fund** is used to account for the activities of the inspection department.

Royalton Township reports the following major proprietary fund:

The **Public Utility Fund** accounts for the activities related to the Township's water production, purification, distribution, billing, sanitary collection system and waste water treatment.

Additionally, Royalton Township reports the following fund type:

The **Agency Funds** are used to collect and distribute State of Michigan, Berrien County, Lake Michigan College, Berrien Springs Public Schools, St. Joseph Public Schools, Lakeshore Public Schools, and Berrien County Intermediate School District property tax monies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for proprietary funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Budgetary Data

At a March meeting the Manager submits to the Township Board a proposed operating budget for the calendar year. The operating budget includes proposed expenditures and the means of financing them for all governmental and proprietary fund types. Public hearings are then conducted at the Township Hall to obtain taxpayer comments. Prior to March 31, the budget is legally enacted on a summary budget basis through passage of a resolution.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by Royalton Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful lives of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings	40 years
Equipment	5-10 years
Vehicles	5-15 years
Utility Systems	39-40 years

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Long-Term Liabilities

In the government-wide financial statements and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

G. Property Taxes

Township property taxes are levied on December 1 and are payable without penalty through February 15. The Township bills and collects its own property taxes and also taxes for the County and several school districts within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund.

H. Sanitation and Water Billings

The Township has a contract with the City of St. Joseph for Sanitation Supply System and Water Supply System billings. The City collects the billings and remits according to the Township's portion according to the contract.

I. Investments and Cash Equivalents

Investments are stated at cost or amortized cost, which approximates market.

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

NOTE 2 - CASH DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated Fifth Third Bank for the deposit of its funds.

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 2 - CASH DEPOSITS - Continued

Royalton Township's deposits are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 1,837,188	\$ 1,985,024	\$ 3,822,212
Certificates of deposit	164,163	194,572	358,735
Total	<u>\$ 2,001,351</u>	<u>\$ 2,179,596</u>	<u>\$ 4,180,947</u>

Year-End Deposits

For the bank deposits and certificates of deposit, \$100,000 was covered by federal depository insurance and \$3,414,133 was uninsured. The bank balances are categorized to give an indication of the level of risk assumed by the entity at year-end. The Township currently does not have an investment policy.

	<u>Carrying Amount</u>	<u>Bank Balances</u>
Primary Government		
Amount insured by the FDIC	\$ 96,035	\$ 96,035
Uninsured	<u>3,426,319</u>	<u>3,464,133</u>
Total Primary Government	\$ 3,522,354	\$ 3,560,168
Fiduciary Funds		
Amount insured by the FDIC	<u>3,965</u>	<u>3,965</u>
Total Reporting Entity	<u>\$ 3,526,319</u>	<u>\$ 3,564,133</u>

NOTE 3 - JOINT VENTURE

Lake Michigan Shoreline Water & Sewage Treatment Authority

On July 18, 1964, the Townships of St. Joseph and Lincoln, and Villages of Shoreham and Stevensville formed a joint venture to acquire, improve, extend and operate a water supply and sewage disposal system. In January 2000, Royalton Township joined the Authority.

The governing body consists of eight members. Each township selects two members and each village selects one member. From these eight members a Chairman, Vice-Chairman, Secretary and Treasurer are selected.

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 3 - JOINT VENTURE - Continued

An annual budget is submitted to and approved by the Authority. Once this has been completed, the budget is reviewed by each respective municipality for approval.

The member contribution percentages for the year ended March 31, 2006, are as follows: Royalton Township - 10%, Lincoln Township - 56%, and St. Joseph Charter Township - 34%.

The following is audited financial information from the Lake Michigan Shoreline Water & Sewage Treatment Authority for the year ended June 30, 2005. A copy of the audited financial report is available for review at the Township office.

Assets	\$ 114,102
Liabilities	22,036
Fund Equity	92,106
Revenues	143,707
Expenditures	150,838
Increase in Fund Equity	(7,131)

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended March 31, 2006 were as follows:

	<u>Balance</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2006</u>
Governmental Activities				
Land	\$ 213,253	\$ -	\$ -	\$ 213,253
Buildings	\$ 736,645	\$ -	\$ -	\$ 736,645
Equipment	187,589	13,960	-	201,549
Vehicles	475,519	-	-	475,519
Subtotal	\$ 1,399,753	\$ 13,960	\$ -	\$ 1,413,713
Less: Accumulated Depreciation	(450,675)	(72,903)	-	(523,578)
Total Capital Assets Other Than Land	\$ 949,078	\$ (58,943)	\$ -	\$ 890,135

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 4 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2006</u>
Business Activities				
Construction in process	\$ 2,111,686	\$ 285,996	\$ (2,371,182)	\$ 26,500
Vehicles	\$ 22,876	\$ -	\$ -	\$ 22,876
Utility Systems	9,050,852	2,391,038	-	11,441,890
Subtotal	\$ 9,073,728	\$ 2,391,038	\$ -	\$ 11,464,766
Less: Accumulated Depreciation	(2,251,060)	(235,834)	-	(2,486,894)
Total Capital Assets Other Than Construction in Process	\$ 6,822,668	\$ 2,155,204	\$ -	\$ 8,977,872

Depreciation expense was charged in the following functions in the statement of activities:

Governmental functions:

General government	\$ 20,773
Public safety	52,130
Total	\$ 72,903

Business-type functions:

Public Utility Fund	\$ 235,834
Total	\$ 235,834

NOTE 5 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the primary government for the year ended March 31, 2006:

	<u>Notes</u> <u>Payable</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Total</u>
Balance, April 1, 2005	\$ 141,103	\$ 5,630,000	\$ 5,771,103
New debt	-	535,000	535,000
Debt redeemed	(66,103)	(675,000)	(741,103)
Balance, March 31, 2006	\$ 75,000	\$ 5,490,000	\$ 5,565,000

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 5 - LONG-TERM DEBT - Continued

Long-term debt at March 31, 2006 is comprised of the following individual issues:

	<u>Balance</u> <u>April 1,</u> <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31,</u> <u>2006</u>	<u>Due Within</u> <u>One Year</u>
Business Activities					
Berrien County Water Supply System No. 26 Bonds, Series 2005. Principal is due in annual installments of \$5,000 - \$45,000 through May 1, 2025; interest varies from 3.35% - 4.70%	\$ -	\$ 535,000	\$ -	\$ 535,000	\$ 5,000
Berrien County Water Supply System No. 25 Bonds, Series 2003. Principal is due in annual installments of \$75,000 - \$200,000 through May 1, 2023; interest rate varies from 2.0% - 4.45%	2,575,000	-	50,000	2,525,000	75,000
Berrien County Water Supply System No. 23 Bonds, Series 1998. Principal is due in annual installments of \$75,000 - \$145,000 through May 1, 2018; interest rate varies from 4.3% - 4.75%	1,445,000	-	75,000	1,370,000	75,000
Berrien County Water Supply System No. 20 Bonds, Series 1994. Principal is due in annual installments of \$50,000 - \$95,000 through May 1, 2014; interest rate varies from 5.5% - 6%	695,000	-	50,000	645,000	50,000
Berrien County Sewer Disposal System No. 20, Refunding Bonds. Final principal payment of \$415,000 is due May 1, 2006; interest rate is 4.9%	<u>915,000</u>	<u>-</u>	<u>500,000</u>	<u>415,000</u>	<u>415,000</u>
Total General Obligation Bonds	\$ 5,630,000	\$ 535,000	\$ 675,000	\$ 5,490,000	\$ 620,000

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 5 - LONG-TERM DEBT - Continued

Business Activities - Continued	Balance April 1, 2005	Additions	Reductions	Balance March 31, 2006	Due Within One Year
<p>The repayment of these general obligation bonds is guaranteed by the Township and Berrien County. The bonds were issued by Berrien County and the Township pays the County the current maturities under a contract. The bonds represent the financing of public improvements that benefit specific districts; these districts are assessed, at least in part, for the cost of the improvements. At March 31, 2006, there is \$4,191,800 of special assessments receivable in the future; the amount of delinquent receivables at March 31, 2006 is not significant.</p>					
<p>The Township agrees to reimburse Lincoln Township for the oversized water transmission mains in the amount of \$250,000 paid in annual installments of \$25,000 through June 1, 2008; no interest is being charged.</p>					
	100,000	-	25,000	75,000	25,000
Total Business Activities	\$ 5,730,000	\$ 535,000	\$ 700,000	\$ 5,565,000	\$ 645,000
<p>Governmental Activities - Primary Activities</p>					
<p>An October 10, 2000, installment note to Fifth Third Bank in the amount of \$200,000 due in monthly installments of \$3,805 including interest at 5.34% per annum was paid off on September 20, 2005.</p>					
	\$ 22,481	\$ -	\$ 22,481	\$ -	\$ -
<p>The Township agreed to purchase the Village of Stevensville's share of jointly owned equipment owned by the dissolved Tri-Unit Fire Board. The final payment of \$18,622 was made in May of 2005.</p>					
	18,622	-	18,622	-	-
Total Governmental Activities - Primary Government	\$ 41,103	\$ -	\$ 41,103	\$ -	\$ -

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 5 - LONG-TERM DEBT - Continued

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending</u> <u>March 31,</u>	<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 645,000	\$ 226,400
2008	290,000	203,751
2009	315,000	193,089
2010	295,000	181,093
2011	295,000	168,515
2012-2016	1,585,000	633,765
2017-2021	1,345,000	307,676
2022-2026	795,000	63,554
Total	<u>\$ 5,565,000</u>	<u>\$ 1,977,843</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of March 31, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	<u>\$ 3,965</u>	Tax	<u>\$ 3,965</u>

NOTE 7 - RESTRICTED ASSETS

Restricted assets at March 31, 2006, consist of \$658,593 of cash held at Berrien County. The restricted cash is used for construction in Royalton Township's Public Utility Fund. There is also \$901 of cash in the General Fund. That is restricted for cemetery expenditures.

NOTE 8 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Township provides pension benefits to all of its full-time employees and elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Township Board, the Township contributes fifteen percent of employees' gross earnings and employees contribute a minimum of five percent, and a maximum of 10% of earnings. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately.

The Township's total payroll during the current year was \$318,972. The current year contribution was calculated based on covered payroll of \$234,337, resulting in an employer contribution of \$35,151 and employee contributions of \$14,260.

ROYALTON TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 9 - DEFERRED COMPENSATION PLAN

As of July 1, 2003, the Township offered a deferred compensation plan administered by ING Life Insurance and Annuity Company called the Royalton Township 457 Plan. Eligible employees may contribute 100% of their includible compensation up to limits set by law. There is no requirement for employer contributions. For the current year there were no employer contributions; employees' contributions totaled \$3,199.

NOTE 10 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Township. In the opinion of management and legal counsel, all such matters are covered by insurance or if not so covered, are without merit and, in any event, their ultimate resolution will not have a material effect on the Township's financial position or operations.

NOTE 11 - EXPENDITURES OVER BUDGET

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the Township was adopted at the function level. During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

		<u>Activity</u> <u>Appropriation</u>	<u>Activity</u> <u>Expenditures</u>	<u>Negative</u> <u>Budget Activity</u>
General Fund	Legislative	\$ 5,800	\$ 6,610	\$ (810)
Public Welfare Millage Fund		159,186	159,326	(140)
Inspection Fund		139,975	209,402	(69,427)

NOTE 12 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Township carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**ROYALTON TOWNSHIP
TRUST AND AGENCY FUND
Statement of Cash Receipts and Disbursements - Tax Collection Fund
For the Year Ended March 31, 2006**

Receipts:

Current property tax collections	\$ 5,072,032
Interest	<u>6,550</u>

Total Receipts	<u>\$ 5,078,582</u>
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Disbursements:

Public schools	\$ 1,292,154
Berrien County	2,151,573
Other funds	853,234
Berrien County I.S.D.	436,652
Lake Michigan College	330,099
State of Michigan	6,110
Interest	<u>6,550</u>

Total Disbursements	<u>\$ 5,076,372</u>
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Disbursements Over Receipts	\$ 2,210
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Cash - Beginning of Year	<u>1,755</u>
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CASH - END OF YEAR	<u>\$ 3,965</u>
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**ROYALTON TOWNSHIP
PROPRIETARY FUND
PUBLIC UTILITY FUND
Statement of Net Assets
For the Year Ended March 31, 2006**

	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ (1,007,477)	\$ 2,333,908	\$ 1,326,431
Certificates of deposit	-	194,572	194,572
Delinquent special assessment receivable	-	37,106	37,106
Total Current Assets	\$ (1,007,477)	\$ 2,565,586	\$ 1,558,109
Restricted Assets:			
Cash and cash equivalents	\$ 683	\$ 657,910	\$ 658,593
Noncurrent Assets:			
Plant, property, and equipment	\$ 5,608,479	\$ 5,856,287	\$ 11,464,766
Construction in process	-	26,500	26,500
Special assessment receivable	600	4,191,200	4,191,800
Sewer bond cost, net of \$61,044 accumulated amortization	394	-	394
Water bond cost, net of \$68,033 accumulated amortization	-	176,573	176,573
Sewer bond discount, net of \$45,258 accumulated amortization	306	-	306
Water bond discount, net of \$32,480 accumulated amortization	-	69,603	69,603
Accumulated depreciation	(1,726,393)	(760,501)	(2,486,894)
Total Noncurrent Assets	\$ 3,883,386	\$ 9,559,662	\$ 13,443,048
TOTAL ASSETS	\$ 2,876,592	\$ 12,783,158	\$ 15,659,750

	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Total</u>
Liabilities and Net Assets			
Current Liabilities:			
Current portion of bonds payable	\$ 415,000	\$ 205,000	\$ 620,000
Current portion of note payable	-	25,000	25,000
Accrued interest	10,168	93,487	103,655
Due to other governments	<u>40,828</u>	<u>-</u>	<u>40,828</u>
Total Current Liabilities	<u>\$ 465,996</u>	<u>\$ 323,487</u>	<u>\$ 789,483</u>
Long-Term Liabilities:			
Bonds payable, net of current portion	\$ -	\$ 4,870,000	\$ 4,870,000
Note payable, net of current portion	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 4,920,000</u>	<u>\$ 4,920,000</u>
Total Liabilities	<u>\$ 465,996</u>	<u>\$ 5,243,487</u>	<u>\$ 5,709,483</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 3,467,086	\$ (2,714)	\$ 3,464,372
Restricted	683	657,910	658,593
Unrestricted	<u>(1,057,173)</u>	<u>6,884,475</u>	<u>5,827,302</u>
TOTAL NET ASSETS	<u>\$ 2,410,596</u>	<u>\$ 7,539,671</u>	<u>\$ 9,950,267</u>

**ROYALTON TOWNSHIP
PROPRIETARY FUND
PUBLIC UTILITY FUND**
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended March 31, 2006

	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 570,349	\$ 250,485	\$ 820,834
Other	268	3,450	3,718
	<u>570,617</u>	<u>253,935</u>	<u>824,552</u>
Total Operating Revenues	\$ 570,617	\$ 253,935	\$ 824,552
Operating Expenses:			
Sewer treatment charges	\$ 133,963	\$ -	\$ 133,963
Professional services	27,100	2,777	29,877
Salary and wages	20,929	-	20,929
Payroll taxes	1,601	-	1,601
Depreciation and amortization	127,665	133,376	261,041
Utilities	18,243	-	18,243
Supplies	8,322	3,253	11,575
Repairs and maintenance	46,280	2,000	48,280
Contribution to LMSWSTA	17,409	37,045	54,454
Miscellaneous	1,478	2,379	3,857
	<u>402,990</u>	<u>180,830</u>	<u>583,820</u>
Total Operating Expenses	\$ 402,990	\$ 180,830	\$ 583,820
Operating Income	\$ 167,627	\$ 73,105	\$ 240,732
Nonoperating Revenues (Expenses):			
Interest income	\$ 64	\$ 275,702	\$ 275,766
Interest expense	(26,569)	(206,710)	(233,279)
	<u>(26,505)</u>	<u>68,992</u>	<u>42,487</u>
Total Nonoperating Revenues (Expenses)	\$ (26,505)	\$ 68,992	\$ 42,487
Net Income	\$ 141,122	\$ 142,097	\$ 283,219
New special assessment district financed by contributed capital	-	646,400	646,400
Change in Net Assets	\$ 141,122	\$ 788,497	\$ 929,619
Total Net Assets - Beginning of Year	<u>2,269,474</u>	<u>6,751,174</u>	<u>9,020,648</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 2,410,596</u>	<u>\$ 7,539,671</u>	<u>\$ 9,950,267</u>

**ROYALTON TOWNSHIP
PROPRIETARY FUND
PUBLIC UTILITY FUND
Statement of Cash Flows
For the Year Ended March 31, 2006**

	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 572,777	\$ 42,291	\$ 615,068
Other payments	(36,902)	(2,777)	(39,679)
Payments to employees	(22,530)	-	(22,530)
Payments to suppliers	<u>(225,695)</u>	<u>(44,677)</u>	<u>(270,372)</u>
Net cash provided by operating activities	<u>\$ 287,650</u>	<u>\$ (5,163)</u>	<u>\$ 282,487</u>
Cash Flows From Capital and Related Financing Activities:			
Interest paid on capital debt	\$ (34,810)	\$ (196,839)	\$ (231,649)
Proceeds from bonds	-	535,000	535,000
Bond issuance costs	-	(39,640)	(39,640)
Capital contributions	-	646,400	646,400
Principal paid on capital debt	(500,000)	(200,000)	(700,000)
Purchases of capital assets	<u>(19,857)</u>	<u>(285,996)</u>	<u>(305,853)</u>
Net cash used by capital and related financing activities	<u>\$ (554,667)</u>	<u>\$ 458,925</u>	<u>\$ (95,742)</u>
Cash Flows From Investing Activities:			
Special assessment interest received	\$ 64	\$ 227,844	\$ 227,908
Interest and dividends received	<u>-</u>	<u>47,858</u>	<u>47,858</u>
Net cash provided by investing activities	<u>\$ 64</u>	<u>\$ 275,702</u>	<u>\$ 275,766</u>
Net decrease in cash and cash equivalents	\$ (266,953)	\$ 729,464	\$ 462,511
Balances - Beginning of Year	<u>(739,841)</u>	<u>2,456,926</u>	<u>1,717,085</u>
BALANCES - END OF YEAR	<u>\$ (1,006,794)</u>	<u>\$ 3,186,390</u>	<u>\$ 2,179,596</u>

ROYALTON TOWNSHIP
PROPRIETARY FUND
PUBLIC UTILITY FUND
Statement of Cash Flows - Continued
For the Year Ended March 31, 2006

	<u>Sewer Activity</u>	<u>Water Activity</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 167,627	\$ 73,105	\$ 240,732
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	\$ 127,665	\$ 133,376	\$ 261,041
(Increase) decrease in:			
Accounts receivable	2,160	(211,644)	(209,484)
Increase (decrease) in:			
Accounts payable	(1,393)	-	(1,393)
Due to other funds	(8,409)	-	(8,409)
Total Adjustments	\$ 120,023	\$ (78,268)	\$ 41,755
Net cash provided by operating activities	\$ 287,650	\$ (5,163)	\$ 282,487

ROYALTON TOWNSHIP
Schedule of Indebtedness - 2005 Project Bonds
March 31, 2006

County of Berrien, State of Michigan
 Berrien County Water Supply System No. 26
 Project Bonds (Royalton Township)

ISSUE DATED SEPTEMBER 1, 2005 IN THE AMOUNT OF

\$535,000

<u>Year Ending</u> <u>March 31,</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>Due</u>	<u>Principal</u> <u>Due May 1,</u>	<u>Total</u>
2007	3.35%	\$ 26,665	\$ 5,000	\$ 31,665
2008	3.45%	22,501	15,000	37,501
2009	3.55%	21,976	15,000	36,976
2010	3.70%	21,340	20,000	41,340
2011	3.80%	20,590	20,000	40,590
2012	3.90%	19,820	20,000	39,820
2013	4.00%	19,030	20,000	39,030
2014	4.10%	18,118	25,000	43,118
2015	4.15%	17,086	25,000	42,086
2016	4.20%	16,043	25,000	41,043
2017	4.25%	14,986	25,000	39,986
2018	4.30%	13,810	30,000	43,810
2019	4.35%	12,513	30,000	42,513
2020	4.40%	11,200	30,000	41,200
2021	4.45%	9,761	35,000	44,761
2022	4.50%	8,195	35,000	43,195
2023	4.55%	6,611	35,000	41,611
2024	4.60%	4,895	40,000	44,895
2025	4.65%	3,045	40,000	43,045
2026	4.70%	1,058	45,000	46,058
		<u>\$ 289,243</u>	<u>\$ 535,000</u>	<u>\$ 824,243</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

ROYALTON TOWNSHIP
Schedule of Indebtedness - 2003 Project Bonds
March 31, 2006

County of Berrien, State of Michigan
 Berrien County Water Supply System No. 25
 Project Bonds (Royalton Township)

ISSUE DATED JANUARY 1, 2004 IN THE AMOUNT OF

\$2,600,000

<u>Year Ending March 31,</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Principal Due May 1,</u>	<u>Total</u>
2007	2.00%	\$ 91,587	\$ 75,000	\$ 166,587
2008	2.00%	89,838	100,000	189,838
2009	2.40%	87,637	100,000	187,637
2010	2.70%	85,088	100,000	185,088
2011	3.00%	82,237	100,000	182,237
2012	3.15%	78,769	125,000	203,769
2013	3.35%	74,706	125,000	199,706
2014	3.40%	70,487	125,000	195,487
2015	3.55%	66,144	125,000	191,144
2016	3.70%	61,150	150,000	211,150
2017	3.80%	55,525	150,000	205,525
2018	3.90%	49,750	150,000	199,750
2019	4.00%	43,825	150,000	193,825
2020	4.10%	37,238	175,000	212,238
2021	4.20%	29,975	175,000	204,975
2022	4.30%	22,000	200,000	222,000
2023	4.40%	13,300	200,000	213,300
2024	4.45%	4,450	200,000	204,450
		<u>\$ 1,043,706</u>	<u>\$ 2,525,000</u>	<u>\$ 3,568,706</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

ROYALTON TOWNSHIP
Schedule of Indebtedness - 1998 Project Bonds
March 31, 2006

County of Berrien, State of Michigan
 Berrien County Water Supply System No. 23
 Project Bonds (Royalton Township)

ISSUE DATED JULY 1, 1998 IN THE AMOUNT OF

\$1,820,000

<u>Year Ending</u> <u>March 31,</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>Due</u>	<u>Principal</u> <u>Due May 1,</u>	<u>Total</u>
2007	4.30%	\$ 61,375	\$ 75,000	\$ 136,375
2008	4.35%	57,587	100,000	157,587
2009	4.40%	53,213	100,000	153,213
2010	4.50%	48,762	100,000	148,762
2011	4.55%	44,238	100,000	144,238
2012	4.55%	39,687	100,000	139,687
2013	4.60%	35,113	100,000	135,113
2014	4.65%	30,487	100,000	130,487
2015	4.70%	25,813	100,000	125,813
2016	4.70%	21,112	100,000	121,112
2017	4.75%	15,794	125,000	140,794
2018	4.75%	9,856	125,000	134,856
2019	4.75%	3,443	145,000	148,443
		<u>\$ 446,480</u>	<u>\$ 1,370,000</u>	<u>\$ 1,816,480</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

ROYALTON TOWNSHIP
Schedule of Indebtedness - 1988 Extension
March 31, 2006

County of Berrien, State of Michigan
 Berrien County Water Supply System No. 20
 Bonds (Royalton Township), Series 1994

ISSUE DATED OCTOBER 1, 1994 IN THE AMOUNT OF

\$1,195,000

<u>Year Ending</u> <u>March 31,</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>Due</u>	<u>Principal</u> <u>Due May 1,</u>	<u>Total</u>
2007	5.500%	\$ 36,606	\$ 50,000	\$ 86,606
2008	5.625%	33,825	50,000	83,825
2009	5.750%	30,263	75,000	105,263
2010	5.875%	25,903	75,000	100,903
2011	6.000%	21,450	75,000	96,450
2012	6.000%	16,950	75,000	91,950
2013	6.000%	12,450	75,000	87,450
2014	6.000%	7,950	75,000	82,950
2015	6.000%	2,850	95,000	97,850
		<u>\$ 188,247</u>	<u>\$ 645,000</u>	<u>\$ 833,247</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

ROYALTON TOWNSHIP
Schedule of Indebtedness - Refunding Bonds
March 31, 2006

County of Berrien, State of Michigan
 Berrien County Sewage Disposal System No. 20
 Refunding Bonds (Royalton Township)

ISSUE DATED JANUARY 1, 1994 IN THE AMOUNT OF

\$4,675,000

<u>Year Ending</u> <u>March 31,</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>Due</u>	<u>Principal</u> <u>Due May 1,</u>	<u>Total</u>
2007	4.900%	\$ 10,167	\$ 415,000	\$ 425,167
		<u>\$ 10,167</u>	<u>\$ 415,000</u>	<u>\$ 425,167</u>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

May 1, 2006

Township Board
Royalton Township
Berrien County, Michigan

Dear Township Board Members:

In planning and performing our audit of the financial statements of Royalton Township for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide assurance on the internal control structure. However, we noted certain matters we have included as recommendations that may be beneficial to the operation of the Township.

In connection with our audit of the books and records of Royalton Township for the year ending March 31, 2006, we offer the following comments and recommendations:

1. Currently there is no inventory kept on items in the maintenance department. These items should be inventoried to know what items are on hand. The policy procedure manual states that the clerk should keep an up-to-date inventory of items over \$100; we recommend the board raise this limit to \$500 (repeated from March 31, 2005).
2. Minutes need to be signed by the board secretary within a reasonable time after the meeting. Minutes for all meetings during the year ended March 31, 2006 were not signed until after year end.
3. State of Michigan Public Act 20 of 1943 as amended by Public Act 196 of 1997 requires the Township to adopt an investment policy that, at a minimum, includes (a) a statement of the purpose, scope, and objectives of the policy, including safety, diversification, liquidity, and return on investment, (b) a delegation of authority to make investments, and (c) a list of authorized investment instruments. We have provided the Township sample investment policies issued by the State of Michigan and the Government Finance Officers Association to assist the board in formulating a policy for the Township.
4. We recommend the Township manager perform annual performance reviews for the building inspector and the deputy clerks. This will provide the employees an opportunity to voice any concerns and suggestions they may have and give them feedback on their job performance. The Township board should perform an annual performance review of the Township manager.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

We appreciate the courtesy and cooperation extended to us by the management and employees of the Township and trust that these comments and suggestions will be received in the spirit of cooperation in which they are offered.

This report is intended solely for the information and use of Royalton Township's board. This restriction is not intended to limit distribution of this report, which is a matter of public record.

If we can be of any help in implementing any of these suggestions, or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,

Gerbel & Company, P.C.
GERBEL & COMPANY, P.C.
Certified Public Accountants